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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2023
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-69505

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/01/2019 AND ENDING 9/30/2020  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Charles Towne Securities, LLC**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

**2 Sandwedge Lane**

(No. and Street)

**Isle of Palms**

**SC**

**29451**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Scott Ilario - 704-516-1836

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Jerome Davies, C.P.A., P.C.**

(Name - if individual, state last, first, middle name)

**3065 Sandy Plains Rd**

**Marietta**

**GA**

**30066**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒  
☐  
☐

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

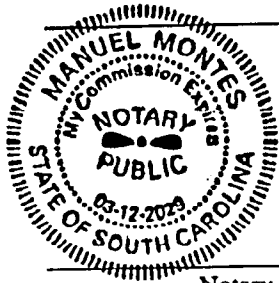
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (11-05)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Scott Ilario, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Charles Towne Securities, LLC, as of September 30, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Notary Public

Scott Ilario

Signature

Chief Executive Officer

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**Charles Towne Securities, LLC**  
**(A wholly owned subsidiary of Charles Towne Holdings, LLC)**

**Financial Statements and Supplemental Disclosures**

**September 30, 2020**

**(With report of Independent Registered Public Accounting Firm)**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Member of  
Charles Towne Securities, LLC

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Charles Towne Securities, LLC (the Company) as of September 30, 2020, and the related statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Charles Towne Securities, LLC as of September 30, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

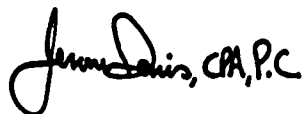
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Auditor's Report on Supplemental Information**

The supplemental information contained in schedules I through III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information contained in schedules I through III is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company's auditor since 2017.



Marietta, Georgia  
November 30, 2020

**Charles Towne Securities, LLC**  
**Statement of Financial Condition**  
**As of September 30, 2020**

<b>ASSETS</b>	
Cash	\$ 36,537
Deposits	<u>4,223</u>
<b>TOTAL ASSETS</b>	<u>40,760</u>
<b>LIABILITIES &amp; MEMBER'S EQUITY</b>	
Liabilities	
Accounts Payable	\$ <u>97</u>
Total Liabilities	97
Member's Equity	<u>40,663</u>
<b>TOTAL LIABILITIES &amp; MEMBER'S EQUITY</b>	<u>40,760</u>

The accompanying notes are an integral part of these financial statements.

**Charles Towne Securities, LLC**  
**Statement of Operations**  
**For the Year Ended September 30, 2020**

Revenue		
Investment Banking Fees	\$	1,029,944
Other Income-Fees from Registered Representatives		21,625
Total Revenue		<u>1,051,569</u>
Expenses		
Compensation and Commissions		892,294
Regulatory Fees		12,191
Professional Services		14,797
Technology and Communications		6,385
Occupancy		43,811
Other Operating		12,156
Total Expenses		<u>981,634</u>
Net Income	\$	<u>69,935</u>

The accompanying notes are an integral part of these financial statements.

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**Charles Towne Securities, LLC**  
**Statement of Changes in Member's Equity**  
**For the Year Ended September 30, 2020**

Member's Equity at September 30, 2019	\$	34,454
Net Income		69,935
Member's Contributions		41,274
Member's Distributions		<u>(105,000)</u>
Member's Equity at September 30, 2020	\$	40,663

The accompanying notes are an integral part of these financial statements.

**Charles Towne Securities, LLC**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2020**

**OPERATING ACTIVITIES**

Net Income	\$	69,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in Accounts Receivable		64,178
Decrease in Accounts Payable		(352)
Decrease in Commissions Payable		<u>(68,000)</u>
Net Cash Provided by Operating Activities		65,761

**FINANCING ACTIVITIES**

Member Contributions		41,274
Member Distributions		<u>(105,000)</u>
Net Cash Used by Financing Activities		(63,726)

Net Increase in Cash		2,035
Cash at Beginning of year		<u>34,502</u>
Cash at End of year	\$	36,537

**Supplemental Cash Flows Disclosure:**

**Non-cash financing activity -**

Forgiveness of amounts due to Member for expense reimbursements \$	9,142
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The accompanying notes are an integral part of these financial statements.



**Charles Towne Securities, LLC**  
**Notes to Financial Statements**  
**September 30, 2020**

**Notes to Financial Statements**

**Note 1. Nature of Business and Significant Accounting Policies**

**Nature of business:** Charles Towne Securities, LLC (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company provides private placements and M&A advisory services to various companies in the United States. The Company signed its membership agreement with FINRA on September 4, 2015. The Company is a single-member limited liability company wholly-owned by Charles Towne Holdings, LLC ("Holdings"). As a limited liability company, the member's liability is limited to their investment.

A summary of the Company's significant accounting policies follows:

**Basis of accounting:** The Company prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when the underlying obligations have been incurred.

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accounts Receivable:** Accounts receivables are non-interest bearing uncollateralized obligations receivable in accordance with the terms agreed upon with each client.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all delinquent accounts receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. There was no accounts receivable as of September 30, 2020.

**Revenue recognition:** The Company recognizes revenue from contracts with customers in accordance with ASC 606 Revenue from Contracts with Customers, which creates as a single framework for recognizing revenue from contracts with customers that is within its scope.

Pursuant to ASC 606, the Company recognizes revenue when it satisfies its performance obligation by transferring control over goods or services to a customer.

Revenue from contracts with customers includes investment banking fees which consist of private placement and merger and acquisitions (M & A) advisory services. The recognition and

measurement of revenue is based on the assessment of individual contract terms. Significant judgement is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

Revenue for investment banking services is generally recognized at the point in time that performance under the arrangement is completed or the contract is cancelled. However, for certain contracts, revenue is recognized over time in which the performance obligations are simultaneously provided by the Company and consumed by the customer. In some circumstances, significant judgment is needed to determine the timing and measure of progress appropriate for revenue recognition under a specific contract. Retainers and other fees received from customers prior to recognizing revenue would be reflected as contract liabilities (unearned revenue).

**Subsequent Events:** Management has evaluated subsequent events through the date that the accompanying financial statements were issued. The Company had no material subsequent events requiring an adjustment to or disclosure in the financial statements.

## **Note 2. Income Tax Status**

As a single-member limited liability company, the Company is treated as a “disregarded entity” for income tax purposes. Thus, for federal income tax purposes, the Company is accounted for as a division of Holdings and does not file separate tax returns. The Company’s financial activity is reported in conjunction with the federal and state income tax filings of Holdings. Therefore, no income tax liability nor provision expense has been recognized as the members of Holdings are individually liable for income taxes, if any, on their share of Holdings’ net income or loss.

The Company has adopted the provisions of FASB Accounting Standards Codification 740-10. **Accounting for Uncertainty in Income Taxes.** Under FASB ASC 740-10, the Company is required to evaluate each of its tax positions to determine if they are more likely than not to be sustained if the taxing authority examines the respective position. A tax position includes an entity’s status, including its status as a pass-through entity, and the decision not to file a return.

Management evaluated the Company’s tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment or material accrual to the financial statements to comply with the provisions of this guidance.

## **Note 3. Net Capital Requirement**

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

Rule 15c3-1 also requires that equity capital may not be withdrawn, or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At September 30, 2020, the Company had net capital of \$36,440, which was \$31,440 in excess of its required net capital of \$5,000. The Company’s ratio of aggregate indebtedness to net capital was 0.0027 to 1.

**Note 4. Concentrations**

The Company maintains principally all cash balances in one financial institution which, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation. The exposure to the Company is solely dependent upon daily bank balances and the strength of the financial institution. The Company has not incurred any losses on this account. At September 30, 2020, the amount in excess of insured limits was \$0.

The Company earned 82% of its revenue from two customers, including one customer comprising 52% of revenue.

**Note 5. Lease**

The Company rented office space pursuant to an operating lease that commenced March 1, 2019 and was terminated effective June 30, 2020 pursuant to a termination agreement. The Company was released from all obligations and liabilities which would have accrued under the lease. Rent expense for the year ended September 30, 2020 was \$43,811 and is included as occupancy on the accompanying statement of operations.

**Note 6. Contingency**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. The Company is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, and its impact on operations, financial position, cash flows, customer trends, customer payments, and the industry in general. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Company, at the time of issuance, the impact could not be determined.

**Charles Towne Securities, LLC**  
**Schedule I**  
**Computation of Net Capital Under SEC Rule 15c3-1**  
**September 30, 2020**

**Net Capital**

Member's Equity	\$ 40,663
Less Nonallowable Assets:	
Deposit	4,223
	<hr/>
<b>Net Capital</b>	<b>\$ 36,440</b>
	<hr/>
<b>Aggregate Indebtedness</b>	<b>\$ 97</b>
	<hr/>

**Computation of Basic Net Capital Requirements**

Minimum net capital requirement	\$ 5,000
(the greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<hr/>
Excess Net Capital	\$ 31,440
	<hr/>
Ratio of Aggregate Indebtedness to Net Capital	.0027 to 1

Note: There is no material difference between Net Capital as computed above and the company's computation as shown on its FOCUS Report form X-17A-5 Part II-A dated September 30, 2020.

**Charles Towne Securities, LLC  
Supplemental Schedule II  
Other Information  
September 30, 2020**

**II - COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENTS PURSUANT TO RULE 15c3-3**

With respect to the Computation for Determination of Reserve Requirements under Rule 15c3-3, the Company does not claim an exemption from Rule 15c3-3 in reliance upon footnote 74 of SEC Release No. 34-70073 dated July 30, 2013, and as discussed in Question 8 of the related FAQ released by SEC staff. The Company does not hold customer funds or securities.

**Charles Towne Securities, LLC  
Supplemental Schedule III  
Other Information  
September 30, 2020**

**III - INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS PURSUANT TO RULE  
15c3-3**

With respect to the information Relating to Possession and Control Requirements under Rule 15c3-3, the Company does not claim an exemption from Rule 15c3-3 in reliance upon footnote 74 of SEC Release No. 34-70073 dated July 30, 2013, and as discussed in Question 8 of the related FAQ released by SEC staff. The Company does not hold customer funds or securities.



Jerome Davies, CPA, P.C.

3605 Sandy Plains Rd.  
Suite 240-480  
Marietta, GA 30066  
(347) 512-6085

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Member of  
Charles Towne Securities, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Charles Towne Securities, LLC (the Company) did not claim an exemption from SEC Rule 15c3-3 in reliance upon Footnote 74 of SEC Release No. 34-70073, and as discussed in Question 8 of the related FAQ released by SEC staff, and (2) the Company stated that the Company met the identified conditions for such reliance throughout the year ended September 30, 2020 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the conditions set forth in Footnote 74 of SEC Release No. 34-70073, and as discussed in Question 8 of the related FAQ released by SEC staff.

A handwritten signature in black ink, reading "Jerome Davies, CPA, P.C.", is positioned above the date and location.

Marietta, Georgia  
November 30, 2020

**Charles Towne Securities, LLC  
Statement of Exemption  
September 30, 2020**

Charles Towne Securities, LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

The Company does not claim an exemption from SEC Rule 15c3-3 in reliance upon Footnote 74 of SEC Release No. 34-70073 and as discussed in Question 8 of the related FAQ released by SEC staff.

We reviewed the provisions of Rule 15c3-3 and the related guidance in Footnote 74 of SEC release No. 34-70073 and as discussed in Question 8 of the related FAQ released by SEC staff.

The Company met the identified conditions for reliance on Footnote 74 of SEC release No. 34-70073 and as discussed in Question 8 of the related FAQ released by SEC staff throughout the year ended September 30, 2020, without exception.

Charles Towne Securities, LLC

I, Scott Ilario, swear (or affirm) that to the best of my knowledge and belief, this Exemption Report is true and correct



Date: November 30, 2020